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September 24, 1991

MEMORANDUM

TO: Tom Osdene
Tony Andrade
FROM: Mary Pottorff

RE: S&T NEUCHATEL

To facilitate correlation with S&T budget designations, the following discussion and recommendations are attributed accordingly. (Copy S&T budget attached).

111 SALARIES (12)

The breakdown of current staff responsibilities are:

Patents: (3)

- Mandiratta
 - Polak
 - Rosner
- plus 5.7 % of Gaisch's time and a little of Martin's

Documentation: (2)

Assessment, analysis
& data management

- Dempsey
- Badstuber

Administration: (1)

- Ceschini

Scientific: (4)

- Gaisch
- Reif
- Martin
- Ritter

Draft

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Secretarial: (2)

- Gygax
- Dubuis

Recommendations:

1. Patents

Transfer all patent work including staff, at least the three identified as working full time or patents, to FTR R&D -- accountable to Manuel Bourlas. This move would return patent activity and responsibility to PMI R&D where it resided prior to the split of S&T. It would become a parallel structure to PM USA and enable better coordination of activities between the two groups, particularly litigation. Furthermore, most patents are generated in R&D departments. Costs are then reallocated between the two tobacco operating companies based on patent ownership. It does not seem reasonable that the costs should be a budget or functional responsibility of PM Management Corp.

2. Documentation

It would seem worthwhile to make this documentation database - or rather its ETS portion - compatible with the one in Richmond, thereby enhancing both. Primary issue material should be evaluated separately. I do not know if this is feasible either technically or financially. Perhaps Bob could provide insight.

3. Administration

With the current level of grant and consultant activity and the fiscal reporting requirements of PM EEC, PMI and now Management Corp. I can imagine this is almost a full time job for Ceschini. If S&T activities are modified, he may then have time available to fulfill other functions.

4. Scientists

According to Helmut, his mandate (by job description) and therefore the activities undertaken by him and his staff are far beyond even the broadest parameters of ETS. Indeed, only 23% of the department's time is spent on ETS, while 48% is on what he calls "extramural" work (networking with scientists and public officials, journalists briefings, monitoring projects, attending symposia, assisting Corporate Affairs initiatives). Much of this seems to have evolved historically and bears evaluation in light of current priorities and structures, e.g., T. Andrade assigned to Lausanne, S&T reporting to Management Corp., C. Wall responsible for litigation worldwide, significance of the ETS issue, etc.

Because Helmut sees his charge as responsive to the needs and expectations of regional management, they should be apprised of contemplated changes and an assessment made of the effect those changes would have on them and their markets.

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If worldwide coordination of ETS and even primary work is to be achieved, then S&T Neuchatel, should report in total into New York operationally through S&T Richmond specifically Tom Osdene. This would be a temporary arrangement because of Tom's retirement, but it would buy some time until there is a clearer definition of S&T's role. It would also probably be the most palatable to Helmut because of Tom's background and their history of working together.

If a number of S&T functions are transferred to R&D, then a reassignment of personnel accordingly would make sense. That determination can be made only after the reassessment of S&T's function.

353 PAYMENTS TO AFSC

Recommendation:

Financial support and functional responsibility for the Swiss NMA should come from the Swiss company, FTR. Transfer this expense and probably the company representation to FTR, R&D -- accountable to Manuel Bourlas.

380 LEGAL FEES, COVINGTON & BURLING - WASHINGTON

These are the C&B fees for consultant recruitment and utilization as well as for Corporate Affairs work in EEC markets. Again, historically since 1989 S&T has picked up this cost. At that time since S&T was part of an EEC budget it probably made little difference. Now it does. I have spoken to Mike Horst who is willing to have his markets or his office, where more appropriate, pick up these costs. We will have to advise him and Hugh Brass what those costs will be.

Recommendation:

Transfer these costs to EEC. They should be charged to and paid by EEC legal with an intra-company charge back to relevant markets.

381 CONSULTANT FEES, COVINGTON & BURLING - LONDON

It should be noted that \$495,000 was paid in '91 for 1990 expenses for which only \$150,000 was accrued. (C&B summary which neither of you have seen is attached). Any savings, e.g., cancellation of the ARIA Vienna meeting will simply offset actuals.

Recommendations:

The basic program should remain as is. However, the routine recruitment, care and feeding should be paid from NY with Steve Parrish approving C&B invoices. In market projects which utilize the program should be paid through the respective regional legal departments with an intra-company charge back to appropriate markets as determined by Stig and Gerard.

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The actual payment process in various currencies seems to work well and should remain as is.

A formal quarterly or semi-annual review of the program should be made.

Cancel WTIG (Myron Weinberg) since there now exists a fairly good network through which new contacts can be made. (This has already been done. Fees and expenses as of June were \$15,133).

Cancel further PM international support of the Georgetown information program, CEHHT. (This also has been done. Fees paid as of August, \$85,080).

C&B should not recruit scientists currently working with S&T and visa versa.

384 LEGAL FEES PATENTS

Recommendation:

Transfer all legal fees related to patents to FTR R&D -- accountable to Manuel Bourlas unless there is an international patent attorney within whose purview such litigation would fall.

386 INBIFO

Recommendation:

Transfer these costs to FTR R&D -- accountable to Manuel Bourlas since they, like their USA counterparts, are the end users of INBIFO. Total costs are allocated between PM USA & PMI; therefore, partial budgetary responsibility should not reside in Management Corp.

387 S&T RESEARCH & CONSULTANTS

RESEARCH:

Of the 31 projects currently underway, 13 are clearly not related to ETS but maybe of interest for Primary litigation, 7 are ETS related grants and 11 are contracts.

There is a rather surprising lack of support documentation on projects funded by S&T. Perhaps this was considered prudent initially, but it makes it very difficult to evaluate projects based on just dialogue with the individual assigned as a

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project monitor or collective subjective comments as to relative merit of the individual or his work. Answers to Tom's list of questions for each project fell far short.

For any future award, documentation sufficient to evaluate the project should be retained. Tom and Tony should develop a format with Helmut that is acceptable.

Recommendations:

PRIMARY GRANTS (13)

Transfer to Chuck Wall fiscal and management accountability for whichever of the following projects he wants to continue. For the balance of the projects we will have to make the decision to continue or terminate and, of course, reallocate the funds.

J.P. Tassin	Neuropharmacology/Receptors	\$ 57,500
G. Michelette	Neuromotricity/Parkinson's disease	\$ 49,300
R. Molimard	Experimental medicine/Behaviour	\$ 57,500
J. Caboche	Thesis in Neurophysiology	\$ 12,300
D. Dusser	Pneumology/Airway Enzymes	\$ 49,300
M. Symann	Oncology/Molecular biology	\$ 32,400
I. Vincze	DNA Adducts	\$ 25,800
B. Schneider	Competing Risk Factors	\$ 63,800
Lee/Gardiner	Avian Contacts	\$ 19,600
P. Lee	International Smoking Statistics	\$ 53,000
K. Syrjaenen	Human Papilloma Virus & Cancer	\$ 85,000
B. Hirt	Papilloma Virus/Cancer - Mol-Biology	\$ 58,000
R. Weil & H. Turler	One time support for a conference	\$ 3,225
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	Total	\$566,725

GRANTS - ETS (7)

D. Weetman	Legal Committees's Decision-Making	\$ 15,850
C. Burstein	Human Metabolites Monitor/Lactates	\$ 41,000
O. Nilsen	Nicotine Concentration in Hair	\$191,500
J. Lenges	Cigarette Testing Methodology	\$ 64,500
S. Schwartz	Pharmacokinetic Computer Modelling	\$ 83,173
J. Wahren	Nicotine Physiology	\$ 25,800
J. Gorrod	Physico-Chemical Data on Alkaloids	\$ 86,800
	Total	\$508,623

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- Weetman's project should be paid from C&B. He is a critical leader in the C&B consultant program and IAI and should not be compromised by being paid from S&T.
- Nilsen was originally a C&B consultant. Perhaps he, too, should be paid through C&B, though a careful assessment of continuation should be made
- Schwartz, Wahren and Gorrod have receive collectively \$526,559 for this pharmacokinetic modelling project and an additional 1991 commitment of \$106,690 for consulting fees. It seems like a lot of money to what end?
- Lenges. While I can understand wanting to keep the laboratory (CERIA) involved, I do not think that we should try to make it an IAQ resource. Too long start up with questionable pay off. With HBI activities so successful in Belgium this may be redundant.

CONTRACTS (11)

G. Neurath	Flow Measurements in Chamber	\$209,600
G. Neurath	Analytical work project listed above	\$ 37,000
Fresenius	Portable Samplers	\$ 70,200
Fresenius	Ultra Low RSP Concentrations	\$ 15,300
Fresenius	IAQ in Automobiles	\$ 36,500
Fresenius	Nicotine Content in Food/Drink	\$ 31,900
TNO	Mock up of Aircraft Model/Air Flow	\$ 57,800
TNO	Book on IAQ management	\$141,700
TNO	Order Trapping by Membrane Filtration	\$ 57,800
TNO	Correlation between light scattering and gravimetric methods for measuring RSP	\$ 42,623
Perry	Indoor/Outdoor Air Pollution	<u>\$107,600</u>
-	Total	\$808,023

- Neurath. Having already spent close to \$1,000,000 since 1987 on this "room" and various tests conducted in the room, do we know what is the purpose of the final product? Is the room to be the equivalent of the PM smoking lounge in Europe? For what purpose -- to show journalists or scientists, conduct experiments?
- Fresenius. Three of the four contracts awarded to Fresenius have been unable to go forward because of lack of access to equipment, shortage of trained staff, or technical difficulties. These three contracts totalling \$83,700 should be cancelled not deferred.

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- TNO. The 10 month project to develop and publish a book on IAQ has not yet been funded. I recommend delaying until further review and certainly delay funding of the \$141,700 until early next year.
- Perry. This is a never ending, seemingly loosely managed program that has not fulfilled its early expectations. Because Perry is so valuable in other areas and this sprawling project seems to continue to give him credibility, we should continue funding, but with more narrowly defined, intermediate endpoints. Alternatively, supply unrestricted funds.

CONSULTANTS:

Recommendations:

S&T should avoid direct involvement with consultants actively working with C&B, e.g., Martin, Nilsen, Skrabanek, Weetman, Selroos. C&B should not recruit as consultants any scientists actively working for S&T.

Consultants who work on primary issue matters should be paid from some budget other than Steve Parrish's, presumably Chuck Wall's. Likewise, consultants paid by SH&B should not be paid by PM and vice versa.

By having one source of payment for each consultant the opportunity of "double dipping" is minimized.

CONSULTANTS VIA SHOOK, HARDY & BACON

I could not tell and as of this writing which consultants listed on the material Helmut gave us includes ones paid by SH&B, nor what they are used for by S&T.

VIDEOS

Recommendation:

For budgetary reasons, no additional videos should be made this year. In Helmut's last report he refers to discussions with Illustra regarding a "Freedom of Choice" video. Depending on the future function of S&T, this video should be delayed until next year and perhaps paid from some other budget, specifically Corporate Affairs.

CONTINGENCIES

Recommendation:

If this \$140,845 (200,000 CHF) has not yet been spent it should be considered as found savings.

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